PERFORMANCE PLAN 2001-2002

FICOM

Financial Institutions Commission

BRITISH COLUMBIA

Ministry of Finance
and Corporate Relations

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JUL 13 2001

Performance Plan 2001/2002

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Financial Institutions Commission of British Columbia

Including:
The Superintendent of Financial Institutions
The Superintendent of Real Estate
The Registrar of Mortgage Brokers
The Credit Union Deposit Insurance Corporation of B.C.

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I. Introduction

The Financial Institutions Commission is assigned a variety of regulatory responsibilities under 10 different statutes. The senior executive officer of the Commission acts as the Superintendent of Financial Institutions, the Superintendent of Real Estate, and the Registrar of Mortgage Brokers. The Commission regulates the structure and operation of financial institutions conducting business in British Columbia (insurance companies, credit unions and trust companies), and also the business activity of related professionals (insurance agents, realtors, and mortgage brokers). Selected responsibilities are delegated to self-regulatory organizations. The Commission also reviews real estate development disclosure statements and prospectuses to ensure appropriate information is available to purchasers.

This plan is the Commission's response to requirements of the *Budget Transparency and Accountability Act*, which requires the Commission to present its plan by May 1st of each fiscal year. This plan supplements the Commission's annual report, which provides a more complete overview of the mandate, programs, and results.

The Financial Institutions Commission was created in 1989 upon proclamation of the *Financial Institutions Act*. The British Columbia legislature was the first in Canada to introduce one comprehensive act to regulate the financial services industry.

I. Strategic Elements

a. Mission

The following statement has been drafted by the FICOM management team to summarize the focus of the organization in plain language:

> **"To protect the public and serve the financial sector, delivering clear impartial judgements, based on legislation, that enables the financial sector to earn customer confidence."**

b. Vision

FICOM has a vision of itself as a constructive partner in the evolving marketplace of financial services and real estate. Consistent with legislative responsibilities, the commission will work with consumers, authorized businesses and licensed individuals, self-regulatory organizations, industry associations, and related professionals. The Commission has three primary objectives in this regard to:

- protect depositors and policy holders against insolvency of a trust company, credit union, or insurance company.
- safeguard consumers against improper market conduct in the financial services and real estate industries, and
- insure deposits in credit unions, through the Credit Union Deposit Insurance Corporation (CUDIC).

c. Values

The following values were developed in conjunction with FICOM staff as a statement on how we wish to perform and be perceived:

1. We work together to achieve FICOM's goals.
2. Our actions match our words.
3. We help each other.
4. We tell each other what we think.
5. We listen to each other.
6. We respect each other.
7. We show confidence in each other.
8. We value results over activities.
9. We share information.
10. We learn from our mistakes.

d. Environmental Scan

FICOM must respond quickly when individual problems are identified, and must adapt to changing circumstances that may introduce new risks and challenges to the regulated industries and to the practices of the regulator. Social and economic trends and/or issues that confront the Commission include:

- **A shrinking world.** Information technology has leapt jurisdictional boundaries and enabled services to be delivered in new ways.
  - Unauthorized off-shore companies can now solicit business from BC residents directly over the Internet or otherwise.
  - National and international firms are now moving to deliver services from outside the province.
  - Provincial credit unions are taking steps to expand their business outside the province.
- **An aging populace.** The "baby boom" is maturing and their preferences will drive various markets:
  - Financial institutions will focus on "wealth management" and be driven by savers and retirees.
  - Mutual funds and other pooled investment strategies may further erode traditional savings in financial institutions.
  - Hiring and retaining skilled professionals is growing more difficult.
- **A slow economy.** The slowdown in the US will likely affect the BC resources sector. Several indicators remain weak, but positive trends are appearing and consensus projections suggest a slightly improved performance in 2001-2002.
- **Industry consolidation.** Provincially, nationally and internationally there has been a dramatic rationalization of service providers, creating bigger and more integrated groups of companies.
- **Financial product/service innovations.** Insurers and deposit-taking institutions are promoting novel products (e.g. pet insurance, segregated funds, and index-linked deposits) and using new delivery channels, such as the Internet and call centres. Derivative instruments have become very popular as a means to redistribute risk.
- **Federal government initiatives** related to banks and other federal institutions, international trade, and the proceeds of crime will require accommodation by provincial institutions and regulators.

- **Public expectations of information** to be accessible and available on the Internet
- **Public expectations of regulators** to be effective in facilitating competitive and fair markets and not be an undue economic drag on the service providers/consumers.

The credit union system in BC is the second largest in Canada, after the caisse populaires in Quebec. BC Credit unions claim approximately 20% share of the province's retail banking markets. At March 31, 2001 there were 74 credit unions with assets of $24 billion.

BC is the third largest insurance market in Canada. At March 31, 2001 there were 268 companies (9 incorporated in BC) authorized to do business by the Commission, with annual premiums in excess of $4 billion.

II. Goals

The Commission has two principle goals in pursuing its responsibilities, and a third subsidiary goal:

1. That BC consumers generally have confidence in the financial institutions authorized to operate in BC and the licensed/registered professionals that provide financial and real estate services.

2. That those regulated generally consider that they have been treated fairly.

3. That the organization be strong, competent, resilient and adaptable, in order to fulfil its specific and general statutory duties and continue to perform in a cost effective manner.

The broadly stated purpose of the Commission is to provide effective, efficient, and equitable regulation of the financial services and real estate sectors in British Columbia. Pursuant to legislation, programs have three strategic thrusts;

- monitoring and regulating the business of financial institutions authorized to operate in B,C,
- regulating compliance by insurance agents, real estate developers, realtors, and mortgage brokers, and
- taking appropriate action against unauthorized, unlicensed and criminal activity.

III. Plan 2001-2002 – Initiatives, Measures and Targets

Goal/Initiative	Measure/Milestone
(1) That BC consumers generally have confidence in the financial institutions authorized to operate in BC and the licensed/registered professionals that provide financial and real estate services.	▪ Survey of consumers. ▪ Supplementary measures will include numbers of complaints, market trends, and consumer activism.
▪ Consumer information to be more readily accessible.	▪ New brochure on unauthorized Internet business (paper/web-site) by January 1, 2002. ▪ Redeveloped FICOM web-site to provide more information and links to other resources for consumers. ▪ Publish regulatory orders and related information on the FICOM web-site.
(2) That those regulated generally consider that they have been treated fairly.	▪ Survey stakeholders for perceptions and suggestions.
▪ Revise credit union regulatory reporting requirements to better track emerging risks.	▪ Industry consultations underway, to result in changes effective January 1, 2002.
▪ Harmonize administrative practices to ease demands on companies doing business in several provinces.	▪ Conclude harmonization of "classes of insurance" project with the Canadian Council of Insurance Regulators. ▪ Conclude information-sharing agreement with the Office of the Superintendent of Financial Institutions. ▪ Implement new regulatory regime for harmonized cost of credit disclosure, on proclamation of relevant legislation (jointly with Ministry of the Attorney General). ▪ Introduce changes in consumer disclosure requirements in parallel with pension and securities industries as may be appropriate, through the Joint Forum of Financial Sector Regulators. ▪ Pursue operational links with Federal agencies recently created.

Goal/Initiative	Measure/Milestone
▪ Comprehensive review of real estate related programs, in conjunction with the Real Estate Council of BC, to evaluate effectiveness and efficiency	▪ To be complete by December 1, 2001.
▪ Publish information bulletins, news releases, and related information of enduring value to stakeholders on the FICOM web-site.	▪ Develop Internet related resources for industry sectors.
▪ A collaborative review of the appropriate size for the deposit insurance fund, administered on behalf of the Credit Union Deposit Insurance Corporation	▪ Report to be finalized by December 1, 2001.
(3) That the organization be strong, competent, resilient and adaptable, fulfil its specific and general statutory duties, and continue to perform in a cost effective manner	▪ Survey staff for perceptions and suggestions.
▪ Complete examinations, reviews and approvals as required.	▪ All BC credit unions, insurance companies and trust companies examined during the year. ▪ All financial returns, policy amendments, disclosure statement, rule changes and other filings to be reviewed promptly. ▪ Problem financial institutions and licensees/registrants to be subject to appropriate action.
▪ Investigate all complaints of serious non-compliance or criminal activity.	▪ Disciplinary and/or criminal charges pursued where necessary.
▪ Review staffing requirements to ensure resources are suitable to evolving demands.	▪ Assess need for "specialist" skills and recruit/contract options. ▪ Review competitiveness of compensation and professional development programs for professional staff.

IV. Consistency with Government Priorities

In addition to the plans developed by the Commission to ensure its responsibilities are effectively discharged, the Commission subscribes to government priorities and participates in various initiatives within the Ministry of Finance and Corporate Relations. Two are noted here as having consequences during the fiscal year.

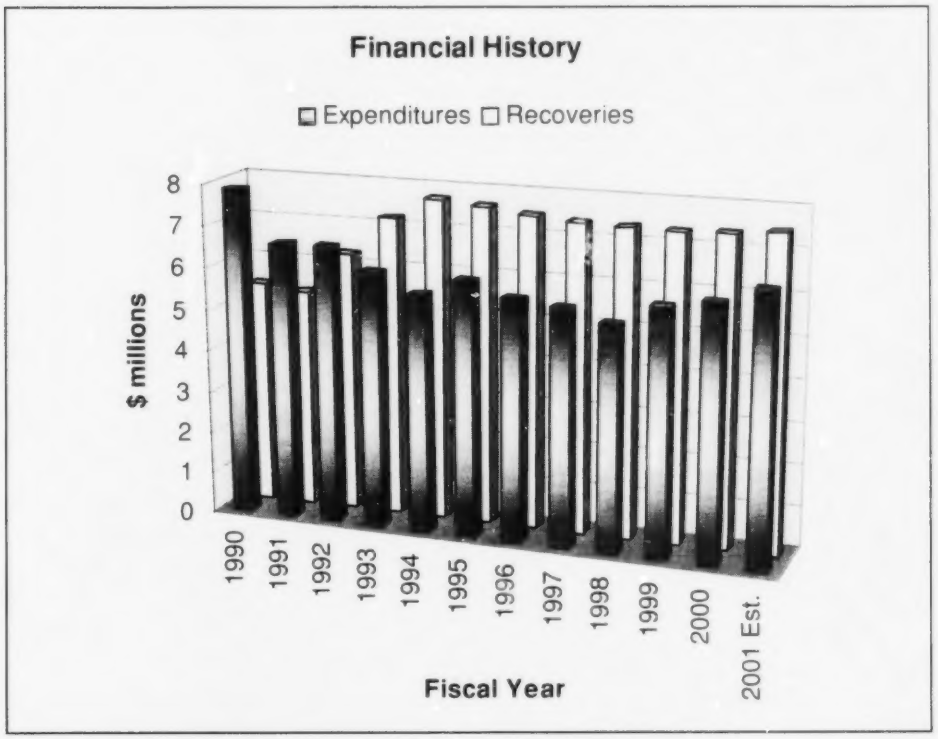
Streamlining: In response to the Deputy Minister's request, the Commission will consider the need for signatures on forms used by the Commission, as and when forms are updated.

E-government: In support of the government's broad initiative to enable government service delivery, information exchange and transactions to be completed using the Internet and related information technology, the Commission will proceed to develop its web-site and re-evaluate operating procedures in order to use opportunities offered by telecommunications technology.

V. Resource Allocation

The Commission plans no major capital projects.

The Commission operates as an independent agency that is fully funded by recoveries (assessments and fees). The budget is prepared on a "$1000 vote" basis, or a net $1000 appropriation from government. However, the Commission routinely makes a substantial contribution to the Consolidated Revenue Fund to offset the costs to government for services provided to the Commission at no charge. No significant changes to total budgeted expenditures or recoveries are projected.



FICOM BUGET AND PLAN LINKAGES	Budget 2001/02 (000)	Budget 2000/01 (000)	Linkage to Goals **
OPERATING EXPENDITURES BY TYPE			
Staff Salaries and Benefits	5,240	5,014	1
Commissioners	28	26	
Program and Administration	1,157	1,170	1,2,3
Building occupancy	491	488	
Total Direct Operating Expenditures	6,916	6,698	
Allocation to Real Estate Council	475	558	
Total FICOM Operating Expenditures	**7,391**	**7,256**	
RECOVERIES	(7,390)	(7,255)	
Net Expenditures	1	1	
OPERATING EXPENDITURES BY DEPARTMENT	**Budget 2001/02 (000)**	**FTEs ***	**Linkage to Goals ****
CEO	599	5.0	1,2
Administration & Systems	1,932	14.5	
Credit Unions & Trust Companies	699	10.0	2
Examinations	1,290	16.0	2
Insurance	539	8.5	2
Investigations	1,179	16.0	2
Real Estate & Mortgage Brokers	1,153	11.0	1,2
	7,391	**81**	

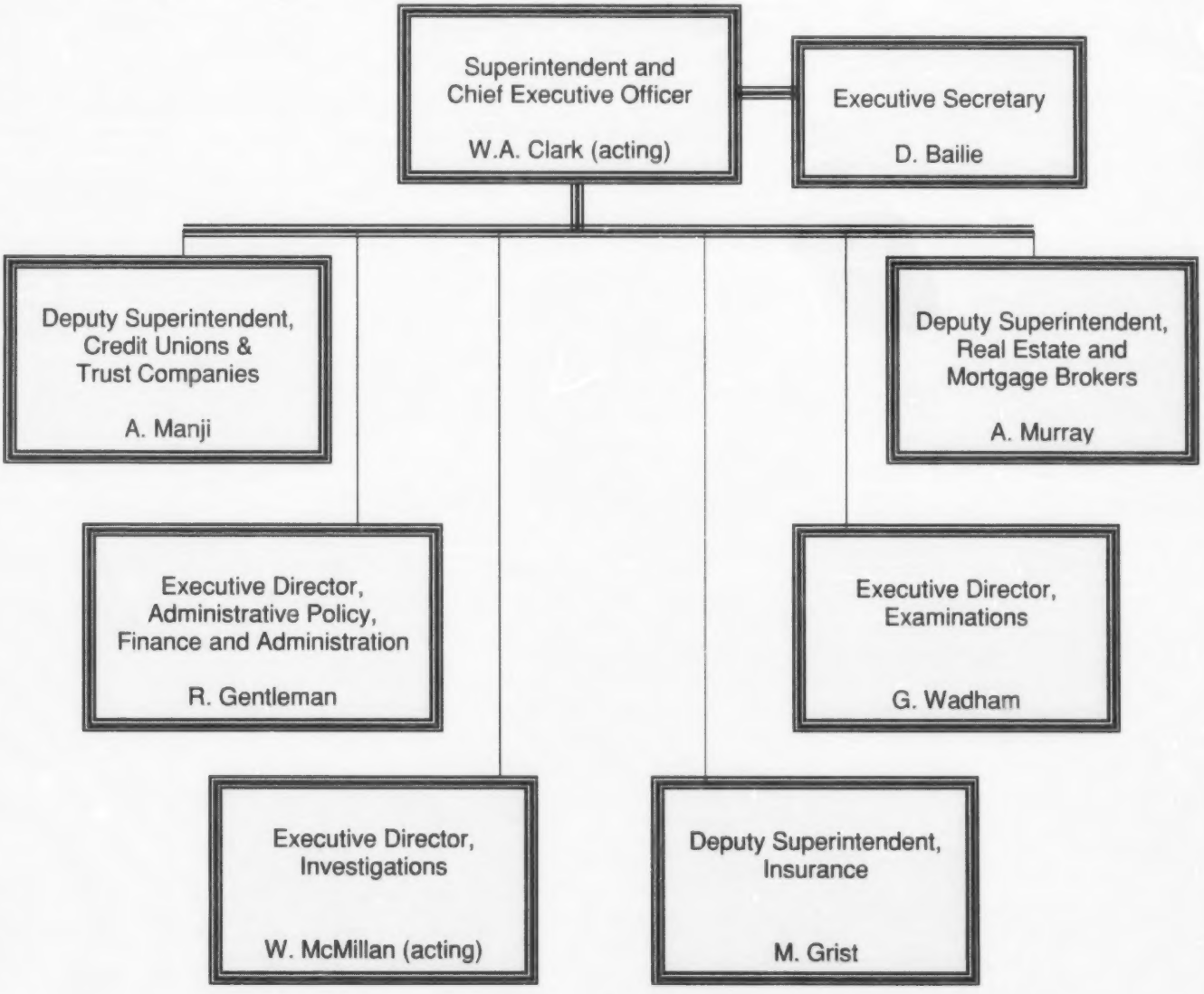
* FTE refers to full time equivalent staff complement

** Direct linkages only are noted, all expenditures do link to goals indirectly.

VI. Organization Chart:

The Commissioners are appointed by the Lieutenant Governor in Council and the Commissioners have specific responsibilities relative to the incorporation and authorization of financial institutions, credit union deposit insurance, and credit union stabilization.

The Superintendent and CEO is appointed pursuant to the Public Service Act and is delegated regulatory and administrative responsibilities. As of April 30, 2001, the Financial Institutions Commission comprises 81 full time equivalent staff and is organized in six departments.



VII. Statutes Administered

The statutes FICOM administers are:

- **Community Financial Services Act**
  Provides a framework for the regulation and operation of B.C. Community Financial Services Corporation ("Four Corners Community Savings").
- **Credit Union Incorporation Act**
  Provides a corporate governance framework for credit unions consistent with their co-operative characteristics.
- **Financial Institutions Act**
  Provides a regulatory framework to govern all provincially regulated financial institutions including trust companies, insurance companies and credit unions. It also provides the licensing and regulatory framework for insurance agents, salespersons and adjusters under the supervision of the Insurance Council of British Columbia. Finally, the Act provides for a credit union deposit insurance fund.
- **Insurance Act**
  Provides certain statutory requirements for contracts of insurance.
- **Insurance (Captive Company) Act**
  Establishes British Columbia as a domicile for captive insurance companies and provides a registration and regulatory framework for captive insurance companies.
- **Insurance (Marine) Act**
  Provides certain statutory requirements for contracts of marine insurance
- **International Financial Business Act**
  Establishes a licensing and regulatory framework for financial institutions to register in British Columbia to carry on international financial business. There are no registrants under this Act.
- **Mortgage Brokers Act**
  Provides a registration and regulatory framework for mortgage brokers who deal with the public.
- **Real Estate Act**
  Part 1 of the Real Estate Act provides the licensing and regulatory framework for real estate agents and salespersons and property managers under the supervision of the Real Estate Council of British Columbia.
  Part 2 of the Act provides a regulatory framework for the sale of subdivisions, including strata developments, co-operatives, shared interests and time shares.
- **Strata Property Act**
  Provides a framework of rights and responsibilities for those living in strata developments.

FICOM also works with and has certain responsibilities for industry based quasi-regulatory organizations including:

- **Real Estate Council of British Columbia (REC)** - which has been delegated the responsibility under the supervision of the Superintendent of Real Estate for the regulation of real estate licencees.

- **Insurance Council of British Columbia (IC)** - which provides a licensing and regulatory framework for insurance agents, salespersons and adjusters under the broad direction of the Superintendent of Financial Institutions.

- **Stabilization Central Credit Union (SCCU)** - which has certain statutory powers in supervising credit unions as an agent for FICOM.